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Proposed Attorneys for
Official Committee of Equity Security Holders

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SAN FERNANDO VALLEY DIVISION

In re:
Ironclad Performance Wear Corporation, a
California corporation,
Debtor and Debtor in Possession.

In re:
Ironclad Performance Wear Corporation, a
Nevada Corporation,
Debtor and Debtor in Possession.

Affects:

- ☐ Both Debtors
☐ Ironclad Performance Wear
Corporation, a California corporation
☒ Ironclad Performance Wear
Corporation, a Nevada corporation.

Case No. 1:17-bk-12408-MB
[Joint administered with:
Case No. 1:17-bk-12409-MB]

Chapter 11

**APPLICATION OF THE OFFICIAL
COMMITTEE OF EQUITY SECURITY
HOLDERS TO EMPLOY MICHAEL D.
SCHWARZMANN AS FINANCIAL
ADVISOR *NUNC PRO TUNC* AS OF
OCTOBER 20, 2017; DECLARATION OF
MICHAEL D. SCHWARZMANN IN
SUPPORT THEREOF**

[No hearing Required Unless Requested
Pursuant to Local Bankruptcy Rule 2014-1]

The Official Committee of Equity Security Holders (the "Equity Committee") in the
above-referenced chapter 11 case of Ironclad Performance Wear Corporation, a Nevada
corporation ("Ironclad Nevada"), jointly administered with Ironclad Performance Wear

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Corporation, a California corporation (“Ironclad California,” and together with Ironclad Nevada, the “Debtors”), hereby submits this application (the “Application”) for the entry of an order authorizing the retention and the employment of Michael D. Schwarzmann (“Mr. Schwarzmann”), *nunc pro tunc* as of October 20, 2017, as financial advisor to the Equity Committee, pursuant to 11 U.S.C. § 1103(a), with compensation under 11 U.S.C. §§ 330 and 331, Rule 2014(a) of the Federal Rules of Bankruptcy Procedures (the “Bankruptcy Rules”), and Local Bankruptcy Rule 2014-1(b). In support of this Application, and the concurrently filed Declaration of Michael D. Schwarzmann (the “Schwarzmann Declaration”), the Equity Committee further state as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over the Application pursuant to 28 U.S.C. § 1334.
2. Venue for these chapter 11 cases (“Cases”) and this Application is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. This Application constitutes a core proceeding pursuant to 28 U.S.C. § 157(b).

BACKGROUND

3. On September 8, 2017 (the “Petition Date”), the Debtors each filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, San Fernando Valley Division. [Case No. 1:17-bk-12408-MB; Case No. 1:17-bk-12409-MB; Doc. Nos. 1.]
4. On September 11, 2017, the Debtors filed their *Ex Parte Motion For Entry Of An Order For Joint Administration Of Cases*. [Docket No. 5.]
5. On September 12, 2017, the Court entered an *Order Approving Joint Administration of Cases Authorizing Joint Administration Pursuant to 11 U.S.C. § 105(a) and Federal Rule of Bankruptcy Procedure 1015(b)*. [Docket No. 25.]
6. On September 20, 2017, the Office of the United States Trustee filed its *Notice of Appointment of Official Committee of Equity Holders* (the “Notice of Appointment”). [Docket

No. 59.] The Notice of Appointment provides for the appointment of the Equity Committee in Ironclad Nevada.

7. On November 3, 2017, the Court entered an order approving the sale of substantially all of the assets of the Debtors. [Docket No. 177.] The Debtors assets were sold for \$25,250,000 and the Debtors' total debt in these cases, including postpetition administrative claims is estimated at \$10.5-\$12 million. [Docket No. 111.]

RELIEF REQUESTED

8. The Equity Committee seeks to employ and retain Mr. Schwarzmman as its financial advisor in connection with its pecuniary interest in the jointly-administered cases of Ironclad Nevada and Ironclad California, pursuant to § 1103(a), with compensation under § 330 and § 331, on the terms and conditions set forth herein and in the Schwarzmman Declaration. For the avoidance of doubt, the Equity Committee seeks to employ Mr. Schwarzmman in the Ironclad Nevada case. Given that the sale proceeds will pay creditors and administrative claims in full, the Equity Committee stands to gain or lose the most in these Cases and requires specific services from time to time which are of special interest and concern to the Equity Committee.

9. As set forth herein and in the Schwarzmman Declaration, Mr. Schwarzmman will be compensated in accordance with the hourly rates agreed upon between Mr. Schwarzmman and the Equity Committee, in accordance with Mr. Schwarzmman's normal reimbursement policies, subject to review and approval of this Bankruptcy Court.

SERVICES TO BE RENDERED

10. The Equity Committee seeks to employ Schwarzmman to perform specific services, which are of special interest and concern to the Equity Committee. As set forth in the Schwarzmman Declaration, Mr. Schwarzmman is prepared to render the following services in these Cases as financial advisor to the Committee (collectively, the "Services"):

- (a) Assist in maximizing the proceeds from the sale of assets, including, but not limited to, working with Debtors' financial advisor (Craig-Hallum Capital Group, LLC) to develop and implement strategic plans for maximizing value and providing recommendations related to evaluation of bids;

- (b) Investigation and analysis related to the amount of Radians Wareham Holdings, Inc.'s claim;
- (c) Assist with review and reconciliation of asserted claims, as needed;
- (d) Assist in evaluating any issues related to a proposed plan of reorganization or liquidation, including preparing materials in support thereof, as requested;
- (e) Assist in evaluating issues related to potential litigation, as needed; and
- (f) Other activities as are requested by the Equity Committee, and agreed to by Mr. Schwarzmman.

11. The Committee believes that the Services are necessary to enable the Committee to fulfill their statutory duties and to otherwise maximize recoveries for all creditors. The Services will not duplicate the services that other professionals will be providing to the Committee in these chapter 11 Cases, as approved by the Bankruptcy Court. Mr. Schwarzmman is well-qualified and able to represent the Committee in a cost-effective, efficient and timely manner and will use reasonable efforts to coordinate with the other professionals to avoid unnecessary duplication.

QUALIFICATIONS

12. Mr. Schwarzmman specializes in bankruptcy and insolvency services. A copy of his resume is attached as Exhibit "A" to the Schwarzmman Declaration. He has worked with distressed companies and their constituents for the past 20 years. His experience has focused on helping distressed companies execute positive change by identifying opportunities for improvement, negotiating with constituents and building consensus. Further, this expertise includes consulting with companies, bondholder groups, unsecured creditors, and lender groups.

13. Since being engaged by the Equity Committee (subject to Court approval), Mr. Schwarzmman has become well acquainted with the Debtors' financial history, assets and liabilities, and worked closely with the Equity Committee with respect to the sale of assets and related issues. Immediately upon being notified by the Equity Committee that he had been selected from among competing proposed advisors, which selection followed an interview with members of the Equity Committee, Mr. Schwarzmman began working in concert with Steve Rickman of Craig-Hallum Capital Group LLC to maximize the value received at the auction for the Debtors' assets. This cooperative process continued throughout the lead up to the auction and

1 throughout the auction itself. Accordingly, Mr. Schwarzmnn has developed significant relevant
2 experience regarding the Debtors' estates that will enable him to provide effective and efficient
3 services.

4 **PROPOSED COMPENSATION**

5 14. The Committee submits that the retention of Mr. Schwarzmnn under the terms
6 described herein is appropriate under § 1103(a) and § 328 of the Bankruptcy Code, which are
7 substantially similar to those entered into between Mr. Schwarzmnn and other clients in a
8 competitive market for financial advisory services. Mr. Schwarzmnn understands that the
9 standards related to § 328 will not apply to any compensation sought under the Application, and
10 that compensation will be reviewed under the reasonableness standard pursuant to § 330. Subject
11 to the Court's approval, Mr. Schwarzmnn will charge for his services on an hourly basis in
12 accordance with his standard billing procedures.

13 15. Mr. Schwarzmnn will be paid by the estate of Ironclad Nevada for his services at
14 his customary hourly billing rate of \$425.00. Mr. Schwarzmnn's rates and ranges shall be
15 subject to adjustment annually at such time as Mr. Schwarzmnn adjusts his rates generally.

16 16. Mr. Schwarzmnn will also seek reimbursement, subject to the Court's approval,
17 for actual out-of-pocket expenses incurred by Mr. Schwarzmnn in connection with this
18 assignment, such as document reproduction and telecopies charges, mail and express mail
19 charges, overnight courier expenses, and other disbursements. All fees and expenses due to Mr.
20 Schwarzmnn will be billed in accordance with any interim compensation orders entered by this
21 Court, and the relevant sections of the Bankruptcy Code, Bankruptcy Rules and local rules of this
22 Court.

23 17. Mr. Schwarzmnn intends to apply to the Court for compensation and
24 reimbursement of expenses in accordance with applicable provisions of the Bankruptcy Code, the
25 Bankruptcy Rules, further Orders of this Court, and the Guidelines established by the Office of
26 the United States Trustee for all services performed and expenses incurred on or after the
27 Retention Date (including limitations on reimbursement of travel related fees and expenses).
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DISCLOSURES

18. As set forth above, Mr. Schwarzmnn understands the provisions of §§ 330, 331 and 1103, Bankruptcy Rules 2014(a) and 2016, and Local Rules 2014-1(b) and 2016-1, which require, among other things, Court approval of the Equity Committee's employment of him as Financial Advisor and of all fees and reimbursement of expenses that he will receive from the Debtors' estates.

19. Section 1103 of the Bankruptcy Code does not incorporate the general disinterestedness standard of section 327(a). However, Bankruptcy Rule 2014 requires that an application for employment under section 1103 disclose all connections with the Debtors, their estates, the professionals, and the Office of the United States Trustee. Mr. Schwarzmnn has conducted an extensive conflict search within his database and has not identified any actual conflicts and/or connections with any of the parties which would disqualify him from serving as financial advisor to the Equity Committee.

20. Mr. Schwarzmnn has not received and will not receive any lien or any other interest in property of the Debtors or of a third party to secure payment of its fees, but reserves the right to seek to surcharge collateral if appropriate. Mr. Schwarzmnn understands that its compensation in this case will be subject to the approval of the Bankruptcy Court upon appropriate application and hearing. Mr. Schwarzmnn intends to apply to this Court in conformity with the Bankruptcy Code and applicable rules, the guidelines for compensation and reimbursement for fees incurred and costs advanced in this matter and any orders of the Court governing application and allowance of compensation in this Case.

21. At the conclusion of this case, Mr. Schwarzmnn will file an appropriate application seeking allowance of all fees and costs, regardless of whether interim compensation has been paid.

22. Except as set forth in Mr. Schwarzmnn's declaration, he (a) does not have any prior connection with the Debtors, any creditors of the Debtors or their estates, any equity security holders, or any other party in interest in these Cases, or their respective attorneys or

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1 accounts (other than professional connections and relationships), or these Cases, (b) does not hold
2 or represent an interest materially adverse to the estates or of any class of creditors or equity
3 secured holders, by reason of any direct or indirect relationship to, connection with, or interest in,
4 the Debtors or an investment banker for any security of the Debtors, or for any other reason, and
5 (c) is a disinterested person as that term is defined in 11 U.S.C. § 101(14). As of the Petition
6 Date, Mr. Schwarzmnn was not a creditor, equity holder or insider of the estate.

7 23. Mr. Schwarzmnn is not and was not an investment banker for any outstanding
8 security of the Debtors. Mr. Schwarzmnn has not been within three (3) years before the petition
9 date an investment banker for a security of the Debtors, or an attorney for such an investment
10 banker in connection with the offer, sale or issuance of any security of the Debtors.

11 24. Mr. Schwarzmnn was not, within two (2) years before the petition date, a
12 director, officer or employee of the Debtors or of any investment banker for any security of the
13 Debtors.

14 25. Mr. Schwarzmnn has not shared or agreed to share such compensation with any
15 other person. Mr. Schwarzmnn has no prepetition claims against the Debtors. Mr. Schwarzmnn
16 has not received a retainer.

17 26. Mr. Schwarzmnn is not related to any judge of the United States Bankruptcy
18 Court for the Central District of California, the United States Trustee, or to any person employed
19 by the Office of the United States Trustee.

20 27. In addition, as set forth in the Schwarzmnn Declaration, if any new material facts
21 or relationships are discovered or arise, Mr. Schwarzmnn will provide the Court with a
22 supplemental declaration. The Equity Committee believes that its employment of Mr.
23 Schwarzmnn upon the terms and conditions set forth above is in the best interest of the Debtors'
24 estates and equity holders.

25 28. The Committee requests -- and Mr. Schwarzmnn understands -- that all advisory
26 fees and related costs incurred by the Committee on account of services rendered by Mr.
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Schwarzmann in these Cases will be paid as administrative expense in Ironclad Nevada in accordance with the Bankruptcy Code and applicable Orders entered in this case.

RETROACTIVE RELIEF

29. The Committee requests that this Application be approved retroactive to October 20, 2017, which is the date the Committee selected Mr. Schwarzmann as their financial advisor. In proper circumstances, the equitable aspects of bankruptcy proceedings permit the court to retroactively approve the employment of professionals. *See, e.g., Atkins v. Wain, Samuel & Co. (In re Atkins)*, 69 F.3d 970, 974-76 (1995); *In re Mehdipour* 202 BR 474, 479 (9th Cir. BAP 1996); *Gowan v. Lefkas Gen. Partners No. 1017 (in re Lefkas Gen. Partners No. 1017)*, 153 B.R. 804, 808 (N.D. Ill. 1993) (internal quotation omitted).

30. The Committee submits that retroactive approval of Mr. Schwarzmann's retention is appropriate under the circumstances because of: (1) the short duration of time between the retention of Mr. Schwarzmann and the filing of this Application; and (2) the need for Mr. Schwarzmann's services immediately after the Retention Date.

CONCLUSION

31. The Committee respectfully submits that retention and employment of Mr. Schwarzmann as financial advisor in these Cases is necessary and appropriate under the circumstances, as set forth in this Application. Moreover, Mr. Schwarzmann has the experience necessary to advise the Committee and to provide the Services in an efficient and effective manner.

WHEREFORE, the Equity Committee, through their proposed counsel, respectfully request that the Court (a) authorize the Equity Committee to retain and employ Michael D. Schwarzmann as financial advisor in Ironclad Nevada, in accordance with the terms hereof, *nunc pro tunc* as of October 20, 2017, pursuant to § 1103(a), with compensation pursuant to § 330 and § 331; and (b) grant such other and further relief as the Court deems just and proper.

1 Dated: November 8, 2017

DENTONS US LLP
JOHN A. MOE, II
TANIA M. MOYRON

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5 By: /s/ Tania M. Moyron
TANIA M. MOYRON

6 PROPOSED ATTORNEYS FOR
7 OFFICIAL COMMITTEE OF EQUITY SECURITY
8 HOLDERS
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PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is 601 South Figueroa Street, Suite 2500, Los Angeles, CA 90017:

A true and correct copy of the foregoing document entitled (*specify*): **APPLICATION OF THE OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS TO EMPLOY MICHAEL D. SCHWARZMANN AS FINANCIAL ADVISOR *NUNC PRO TUNC* AS OF OCTOBER 20, 2017; DECLARATION OF MICHAEL D. SCHWARZMANN IN SUPPORT THEREOF** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) **November 8, 2017**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Shiva D Beck sbeck@gardere.com, jcharrison@gardere.com
- Ron Bender rb@lnbyb.com
- Cathrine M Castaldi ccastaldi@brownrudnick.com
- Russell Clementson russell.clementson@usdoj.gov
- Aaron S Craig acraig@kslaw.com, lperry@kslaw.com
- Matthew A Gold courts@argopartners.net
- Monica Y Kim myk@lnbrb.com, myk@ecf.inforuptcy.com
- Samuel R Maizel samuel.maizel@dentons.com,
alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com
- Krikor J Meshefejian kjm@lnbrb.com
- Tania M Moyron tania.moyron@dentons.com, chris.omeara@dentons.com
- S Margaux Ross margaux.ross@usdoj.gov
- United States Trustee (SV) ustpregion16.wh.ecf@usdoj.gov
- Sharon Z. Weiss sharon.weiss@bryancave.com, raul.morales@bryancave.com

☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) **November 8, 2017**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☒ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) **November 8, 2017**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

BY PERSONAL DELIVERY

Hon. Martin R. Barash
US Bankruptcy Court
Central District of California
21041 Burbank Blvd., Suite 342/Ctrm. 303
Woodland Hills, CA 91367

☒ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

November 8, 2017 Christina O'Meara
Date Printed Name

/s/Christina O'Meara
Signature

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

SERVED BY U.S. MAIL:

<u>Secured Creditor</u> Radians Wareham Holding, Inc. Attn: Mike Tutor, CEO 5305 Distriplex Farms Memphis, TN 38141	<u>Counsel to Radians Wareham Holdings</u> E. Franklin Childress, Jr. Baker, Donelson, Bearman, Caldwell & Berkowitz, PC 165 Madison Ave, Suite 2000 Memphis, Tennessee 38103	U.S. Securities and Exchange Commission Attn: Bankruptcy Counsel 444 South Flower Street, Suite 900 Los Angeles, CA 90071-9591
<u>Governmental Agencies</u>		
Internal Revenue Service P.O. Box 7346 Philadelphia, PA 19101-7346	Franchise Tax Board Bankruptcy Section, MS: A-340 P.O. Box 2952 Sacramento, CA 95812-2952	State Board of Equalization Account Information Group, MIC: 29 P.O. Box 942879 Sacramento, CA 94279-0029
Employment Development Dept. Bankruptcy Group MIC 92E P.O. Box 826880 Sacramento, CA 94280-0001		
<u>Equity Holders - SERVED BY EMAIL</u>		
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